

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BUTLER COUNTY WATER SYSTEM,)	
INC., BUTLER COUNTY, KENTUCKY, (1) FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY)	
AUTHORIZING SAID SYSTEM TO CONSTRUCT MAJOR)	
IMPROVEMENTS AND ADDITIONS TO ITS EXISTING)	
MUNICIPAL WATER DISTRIBUTION SYSTEM FINANCED)	CASE NO.
BY RURAL DEVELOPMENT (FORMERLY FARMERS HOME)	98-264
ADMINISTRATION) PURSUANT TO THE PROVISIONS OF)	
KRS 278.023 OF THE KENTUCKY REVISED STATUTES AND)	
(2) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN)	
SECURITIES)	

O R D E R

On May 13, 1998, Butler County Water System, Inc. ("Butler System") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$780,000 waterworks improvement project and for approval of its plan of financing for this project. This project will provide service to the former Rochester Water District. Project funding is a \$545,000 loan pursuant to an agreement with the U. S. Department of Agriculture's Rural Development ("RD"), and a \$235,000 grant from the RD.

Butler System's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U. S. Department of Agriculture or the U. S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements

were met in this case on May 13, 1998, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Butler System is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Butler System's proposed plan of financing with RD is accepted.

3. Butler System is authorized to issue notes not to exceed \$545,000.


4. Butler System shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

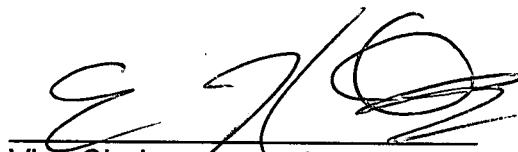
5. Butler System shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section 5(1), Butler System shall take immediate action to bring the system into compliance with Commission regulations.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 20th day of May, 1998.

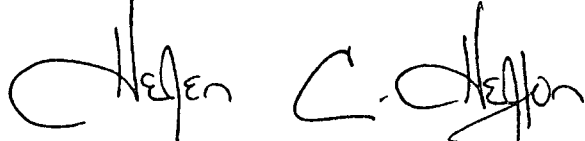
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director